



Blended Retirement LTC Steve Hanson Army G1 / Talent Management Task Force

ARNG Senior Enlisted Professional Development Workshop 24 Jun 2016



True or False:

The Army has completely gutted the retirement system, and now Soldiers will only have a 401k account

FALSE



True or False:

The defined benefit that we have all known (50% of base pay after 20 years) is no longer, and it has been replaced with a defined contribution Thrift Savings Plan account.

FALSE

DRAFT//FOUO//CLOSE-HOLD//LIMDIS



True or False:

The new retirement system keeps the vast majority (80%) of the defined benefit, and replaces the other 20% with a defined contribution TSP account and continuation pay

TRUE

DRAFT//FOUO//CLOSE-HOLD//LIMDIS



True or False:

**Everyone in the Army right now
is being moved to the new
blended retirement system**

FALSE



True or False:

**Everyone in the Army right now
can, if they want, stay in the
current retirement system**

TRUE



Outline

- **Background and History of the Blended Retirement System**
- **BRS as it stands TODAY (NDAA of 2016)**
- **Training Resources**
- **Timeline (2016-2018)**
- **Unresolved Issues**
- **Guidance**



Background and History of the BRS

- **NDA 2013 - SEC. 671. “establish the Military Compensation and Retirement Modernization Commission (MCRMC) to conduct a review of the military compensation and retirement systems and to make recommendations to modernize such systems in order to**
 -
 - **(1) ensure the long-term viability of the All-Volunteer Force by sustaining the required human resources of that force during all levels of conflict and economic conditions**
 - **(2) enable the quality of life for members of the Armed Forces and the other uniformed services and their families in a manner that fosters successful recruitment, retention, and careers for members of the Armed Forces and the other uniformed services; and**
 - **(3) modernize and achieve fiscal sustainability for the**



Background and History of the BRS

- **~2 years worth of meetings / hearings / sessions**
- **Dozens of proposals (some outlandish, which made the news)**
- **29 Jan 2015 - MCRMC issued final report to President, Congress with 15 Recommendations (6 quality of life, 4 health benefits, and 4 pay / retirement.**
- **#1 Recommendation - “Help more service members save for their retirement earlier in their careers, leverage the retention power of traditional Uniform Services retirement, and give the services greater flexibility to retain quality in demanding career fields by implementing a modernized retirement system”**



Background and History of the BRS

- **Legislation developed in FY 2015**
- **Dozens of proposals**
 - **Dismantling Defined Benefit Completely**
 - **Not grandfathering current members**
 - **AC retirement not beginning until age 55**
 - **Many others**
- **NDAA 2016 - signed 25 Nov 2015 Section 631 - 635 put new retirement system into law.**



The U.S. Uniformed Services Blended Retirement System

At a Glance

Saving with the New Blended Retirement System

The Fiscal Year 2016 National Defense Authorization Act provides our military force with a modernized retirement plan built for retirement savings. Beginning in 2018, our service members can get **automatic and matching Thrift Savings Plan contributions** as well as mid-career **compensation incentives** in addition to monthly **annuities for life**. All service members under the current system are grandfathered into today's retirement system.

Today's Retirement System:



2.5% x Years Served x Retired Pay Base
after completing 20 years of service

1 Automatic and Matching Contributions

Automatic contributions are seen immediately



You Contribute	DoD Auto Contribution	DoD Matches	Total
0%	1%	0%	1%
1%	1%	1%	3%
2%	1%	2%	5%
3%	1%	3%	7%
4%	1%	3.5%	8.5%
5%	1%	4%	10%

The DoD automatically contributes 1% of your basic pay to your Thrift Savings Plan after 60 days of service.

You'll see matching contributions at the start of 3 through the completion of 26 years of service, and...

You're fully vested—it's yours to keep—as of the beginning of 3 years of service and goes with you when you leave.

2 Continuation Pay

Received at the mid-career point



You may receive a **cash payment** in exchange for additional service.

3 Full Retired Pay Annuity

Received after completing 20 years of service



Calculate your retired pay base by **averaging the highest 36 months of basic pay**. You'll gain this monthly annuity for life after completing 20 years of service.

Options for Collecting Your Retired Pay

Active Component

Full retired pay annuity

Reserve Component

Full retired pay annuity beginning at age 60*



Lump sum with reduced retired pay

50% or 25% of monthly retired pay annuity bumps back up to 100% at full retirement age (67 in most cases).

*Could be earlier based on credited active service

Additional information coming soon.

Sources: Sections 631, 632, 633, 634, and 635 of the Fiscal Year 2016 National Defense Authorization Act.

Effective Date of the New System



► **After December 31, 2017**
You'll be automatically enrolled in the Blended Retirement System.

► **After December 31, 2005 but before January 1, 2018**
You'll have the choice to enroll in the Blended Retirement System or remain in today's current retirement system.

► **Before January 1, 2006**
You'll be grandfathered and remain in today's current retirement system.

Your Retirement System
If you joined the service...

Created:12/2015



BRS as it stands today

- **Key Attributes: The new blended retirement system has three key attributes:**
- **Approximately 85% of Service members who enter the force will receive some form of a portable retirement benefit (under 20% get retirement benefits today)**
- **Future Service members will receive 80% of the current defined benefit (pension) if they serve for 20 years as well as the opportunity to achieve nearly equivalent or better retirement benefits when they reach retirement age**
- **It enables us to recruit and retain our superb All-Volunteer Force in the 21st Century**



BRS as it stands today

- **Part I - Defined Benefit**

- **Instead of 2 ½ % times the number of years of service, member under blended retirement will receive 2% times the number of years of service (High 3, final pay formulas remain unchanged.**
- **Maximum changes from 75% of base pay to 60% of base pay (with some exceptions)**



BRS as it stands today

- **Part II - Defined Contribution**

- **Soldier has a Thrift Savings Plan in their name as part of the BRS.**
- **He/She makes a choice among the 5 types of funds available today (Lifecycle- L, Government Securities - G, Common Stock Fund - C, Small Cap Index - S, International Fund, I)**
- **Government Contributes 1% of pay after 60 days of service**
- **Government Matches up to 4% more if service member contributes 5% of their pay (First 3% - 1:1 ; Next 2% - 1/2:1)**
- **Account vests (becomes property of Service member) after 2 years**



BRS as it stands today

- **Part III - Continuation Pay**
 - NDAA 2016, passed on 25 Nov 15, provides minimum of 2.5 times Base Pay for AC, **.5 times Base Pay for RC/NG** after 12 years of service. Maximum multiplier is 13 Months for AC; **6 months for RC/NG**
 - Continuation pay is in exchange for 4 year ADSO
 - Changes **LIKELY** in 2017.



Change Proposals for FY 17

- **Blended Retirement System legislative proposal, OLC #46, went to the Hill 10 Mar as part of DoD Tranche #1. 8 proposed changes**
 - Section 621. Eliminate automatic reenrollment each Jan if member decides not to participate.
 - Section 622. Delay government matching from > two years of service until > four.
 - Section 624. Change account default from a Traditional TSP account to a ROTH account
 - Section 625. Increase the total potential matching funds from 5% to 6%
 - Section 626. Repeal ceasing government matching contributions at 26 years of service
 - Section 627. Afford cadets / midshipmen and inactive reservists, an opportunity to opt-in
 - Section 628. Make retirement pay consistent w Combat related Special Compensation (CRSC).
 - Section 629. **DoD top priority**. Flexibility to pay the continuation pay at any point between eight and sixteen years of service in exchange for three year commitment. AND the flexibility to pay between zero months of member's



Training Resources (1 of 2)

- ***Training is a mix of on-line, and in-person instruction***
- **Education - OSD is developing four, digital training courses (JKO platform).**
 - **Leader Training - One hour course to educate senior leaders to develop a basic familiarity with the components of the new system (Went online 1 Jun 2016)**
 - **Opt-in Training - Comprehensive course which allows the eligible members to compare the current retirement system with the blended retirement system (Sep 2016)**
 - **New Accession Training - For members who join the military on or after 1 Jan 18. (Jan 2017)**
 - **Retirement Services Officer Training - “train the trainer” course**
- **On-Line Calculators - Allow the service member to compare benefits under the current and blended retirement systems**
- **Personnel Resources**
 - **Benefits Educators - Number to be determined - To assist services with Benefits Training (approx. \$20M across FYDP)**
 - **Retirement Service Officers (RSOs)**
 - **Personal Financial Planners (IMCOM, AFAP, etc)**
 - **Dod Financial Partners (OneSource, Credit Unions, etc)**
- **Call Centers**
 - **DFAS to add additional resources to existing center**
 - **MyArmyBenefits - Army will add additional resources to Help Desk**
 - **Thrift Board - will add capacity to existing call center**
- **Strategic Communications**
 - **OSD to produce pamphlet, information graphic, brochure, posters and pocket cards**
- **DMDC Survey**
 - **Financial Readiness Questions to be inserted into Status of the Force Surveys to provide a baseline to help determine the effectiveness of the training**



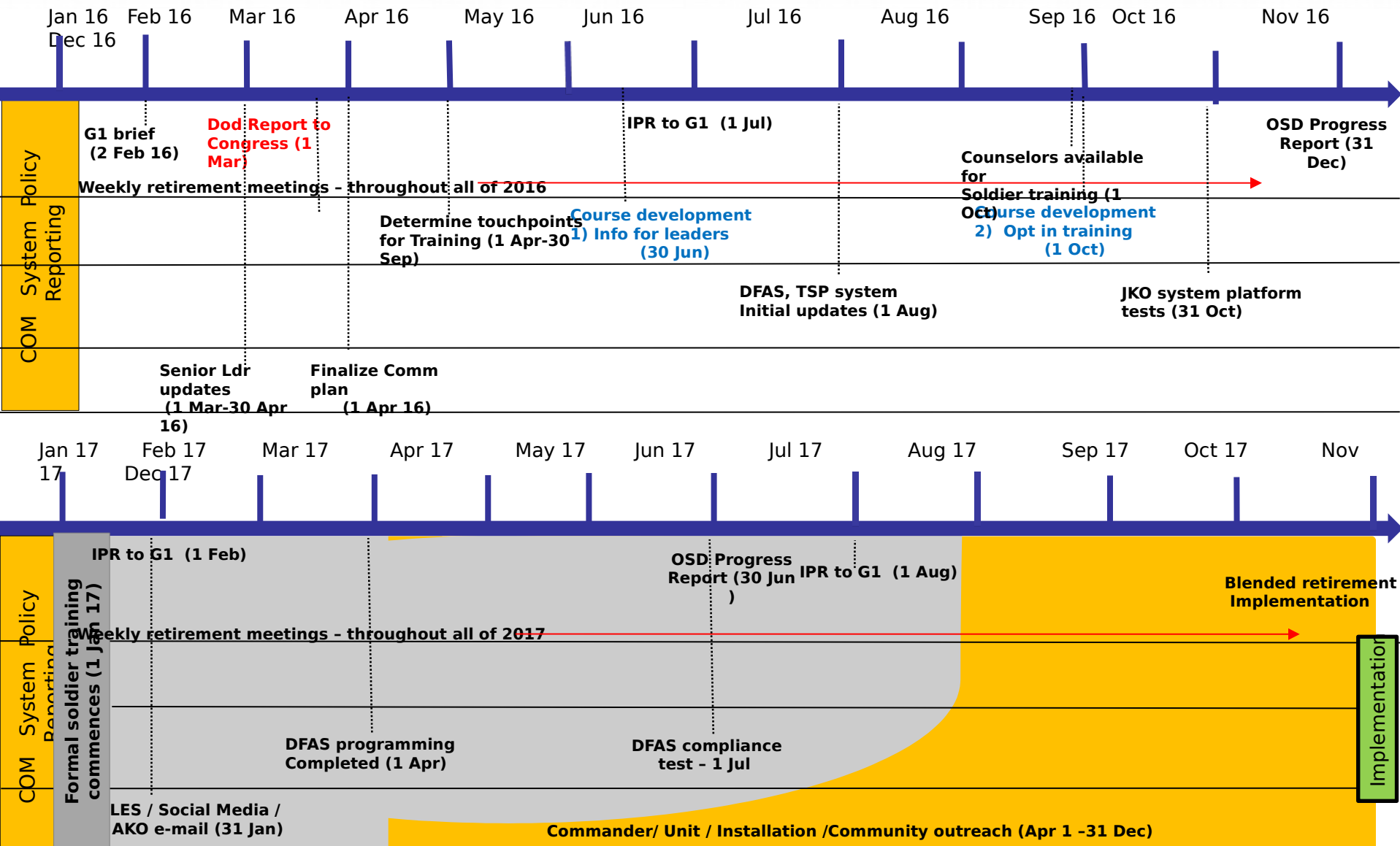
Training Resources (2 of 2)

- **Military Schools - Additional training to be provided at BCT/AIT, BNOC ANOC, SM Academy and other**
- **Approved Non-Federal Entities - Army will partner with non-federal entities who have been approved to provide training and education on Army installations**
- **Family Member Training and Education - Additional training will be available to Family Members through access to digital materials and counseling available through Family Program training assets**



Planning Milestones

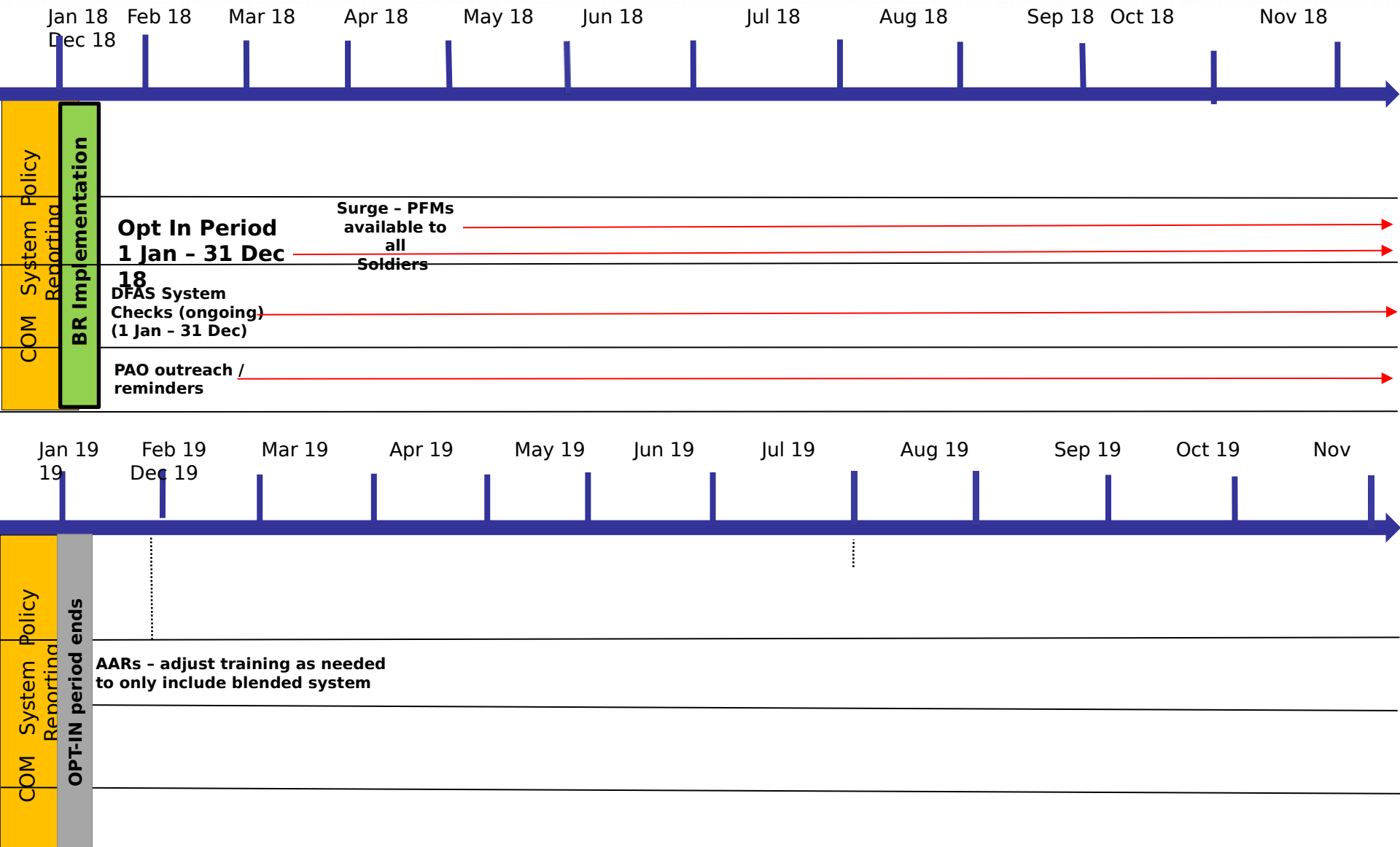
Supporting Soldiers, Civilians & Families – Active, Guard, Reserve and Retired





Planning Milestones

Supporting Soldiers, Civilians & Families – Active, Guard, Reserve and Retired





Unresolved Issues

- ***Best way to train NG/RC***
 - ***Primary method of training - JKO; Secondary - Personal Financial Counselors (PFCs). Will identify/leverage existing instructional resources***
 - ***Uniformity of Training among 54 entities***
- **Mechanics of Opt-in decision (working groups currently studying)**
- **Responsibility for allocating time for training**
 - **Commands (Land Owning Organizations)**
 - **IMCOM**
 - **TRADOC (IET, Cadet Command, USAREC)**
 - **NGB**
- **Account for deployments / those in the box (must consider)**
- **Validation and tracking of soldier attendance? Not required in NDAA**



SCSM Assistance

- **Help spread the word of the importance of this new system**
- **Schedule the training between 1 Oct 16 - 30 Sep 17. G3 EXORD coming, but date TBD Do not develop the training**
- **Educate your soldiers, but be careful in saying “what they should do”**
- **Inform other senior leaders in your state / territory**



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- **Background and History of the Blended Retirement System**
- **BRS as it stands TODAY (NDAA of 2016)**
- **What leaders need to Know**
- **Timeline (2016-2018)**
- **Unresolved Issues**
- **Guidance**